

KENTUCKY AGRICULTURAL DEVELOPMENT FUND UPDATE

OCTOBER 28, 2005

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*Cultivating rural
prosperity*



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ADF Meetings in Review

September and October Agricultural Development Board (Board) Meetings were held in Frankfort and saw a total of \$7,522,742 invested in Kentucky agricultural diversification. The Board approved 31 non-model projects ranging in scope from agri-tourism ventures to community farmers' market support.

Seventy-eight applications for 12 of the 13 county model programs were approved. County model programs provide farmers with cost-share funds to improve and diversify their current enterprises.

At the September meeting, the Board approved the final round of the 2005 Agri-tourism Competitive Awards Program. Fourteen agri-tourism projects, totaling \$575,493, were approved.

AGRI-TOURISM PROJECTS APPROVED:

- Bramble Ridge Orchard (Montgomery Co.)
- Castle Hill Farm (Woodford Co.)
- Chrisman Mill Vineyards (Jessamine Co.)
- Christian Way Farm (Christian Co.)
- Elements Enterprises (Mercer Co.)
- Equus Run Vineyards (Woodford Co.)
- Hurstland Farms (Woodford Co.)
- Jackson's Orchard & Nursery (Warren Co.)

- John F. Dance Enterprises (Woodford Co.)
- Kentucky Roots (Lawrence Co.)
- Reed Farm Service (Bourbon Co.)
- River Valley Agri-tourism Alliance (Bracken, Lewis, Mason, Nicholas, and Robertson Counties)
- Sweet Home Spun (Jefferson Co.)
- Three Mills Farm (Woodford Co.)

A total of \$880,693 in state and county funds were awarded through this



The jam section of the Orchard Barn at Bramble Ridge Orchard in Mt. Sterling.

Bramble Ridge offers the largest apple slingshot, Barnyard Buddies petting zoo, wagon rides, observation beehive, and mini-maze, as well as U-Pick apples.

competitive program. The Board will discuss the continuation of this program at its November Planning Meeting.

For the October meeting, the Board received an update on the state of Kentucky's grape and wine industry, as well as a summary of the third phase of the

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Agri-tourism Awards

The following received funds in the final round of the 2005 Agri-tourism Competitive Awards Program.

BRAMBLE RIDGE ORCHARD, LLC

Bramble Ridge Orchard was approved for \$38,310 in state funds as a forgivable loan to assist in the construction and equipping of a certified kitchen at their existing facility.

CASTLE HILL FARM, INC.

Castle Hill Farm was approved for \$32,675 in state funds as a forgivable loan for the construction and equipping of a certified kitchen at their existing facility.

CHRISMAN MILLS VINEYARDS

Chrisman Mill Vineyards was approved for \$50,000 in state funds as a forgivable loan for the expansion and upgrading of their existing facilities.

CHRISTIAN WAY FARM, LLC

Christian Way Farm was approved for \$18,150 in state funds as a forgivable loan to renovate an existing tobacco barn into a facility to house Agri-tourism events, as well as promotional expenses.

ELEMENTS ENTERPRISES, LLC

Elements Enterprises was approved for \$49,988 in state funds as a forgivable loan for infrastructure improvements to expand existing Agri-tourism facilities.

EQUUS RUN VINEYARDS, LLC

Equus Run Vineyards was approved for \$50,000 in state funds as a forgivable loan to assist in the renovation of a tobacco barn for additional retail and inventory space.

(Continued on page 4)

Model Program Update

CLOSING OLDER PROJECTS

In 2004 the Board approved measures to limit the term of model program agreements, so that tracking and reconciling program funds will be more efficient and effective.

As a result staff has been busy helping program administrators close out pre-2004 programs, so that all program agreements will be in compliance with the new term limit. Of the 982 model programs approved between 2001 and 2003, 268 programs remain open with 55% of those being 2003 programs.

If you have a program with an A2001, A2002, or A2003 prefix, then please help us close these programs out.

If you have questions about program close-out, then please call your Area Project Analyst or Brad Nelson, Compliance Specialist for model programs, at (502) 564-4627.

SAVE THE DATE

Board Planning Meeting

It's time again for the Agricultural Development Board's annual planning meeting.

November 17 & 18

General Butler State Resort Park

RECAP OF 2005 AWARDS

Farmers' Markets

\$232,312 in state
\$270,313 in county

This program required that applicants provide county funds equal to their request for state funds.

Two feasibility studies and ten community farmers' markets received funds.

- Anderson County Farmers' Market Association
- Bullitt County Conservation District
- Carter County Extension District Board
- City of Erlanger
- City of Springfield
- Christian Co./Hopkinsville Development Corporation
- Farm & Garden Market Cooperative Association
- Johnson Co. Extension District
- Logan Co. Extension District
- Nelson Co. Horticulture Advisory Board / Nelson Co. Fiscal Court
- Nicholas Co. Farmers' Market
- Russell Neighborhood Development Authority, Inc.

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ADF Board Meetings in Review

(Continued from page 1)

Kentucky Produce & Aquaculture Alliance's feasibility study for the vegetable cooperative system in the Commonwealth.

STATE OF KENTUCKY'S GRAPE & WINE INDUSTRY

Board members met the state's new viticulturalist, Dr. Kaan Kurtural, and enologist, Dr. Tom Cottrell. Drs. Kurtural and Cottrell are with the University of Kentucky's Horticulture Department.

Dr. Kurtural reviewed the current opportunities for the grape & wine industry, as well as tools and criteria for site selection for growing wine grapes. Dr. Kurtural also showed the Board charts illustrating the net returns a producer can expect for different varieties that can be grown in Kentucky. Dr. Kurtural noted that there is a deficit of grapes being produced in the Commonwealth to supply Kentucky wineries.

Dr. Cottrell stated that there are 39+ existing, varying from 100 to 4,000 cases produced. Dr. Cottrell noted that there are no wine trails, but the "cluster effect" is slowly developing. Dr. Cottrell used Washington County as an example of an area that is working on a cluster.

Dr. Cottrell also showed a graph to demonstrate the cumulative cash flow of various initial investment sizes into the winery. Dr. Cottrell noted that this is not a quick growing business; however, when a winery breaks even de-

pends on the amount invested initially.


KENTUCKY'S VEGETABLE COOPERATIVES

Kirk Martin, Ascending Partners, presented the Board with a summary of the results from the study titled *Creating a Sustainable Vegetable Production and Processing Business in Kentucky*. Mr. Martin concluded that the best approach for Kentucky's vegetable cooperatives would be to consolidate into one; thereby, coordinating resources, increasing efficiency, and increasing the profitability and sustainability of Kentucky's produce marketing industry.

NOVEMBER PLANNING MEETING

The Board will hold its November meeting at General Butler State Resort Park in Carrollton. The November meeting will span two days to encompass the Board's annual planning session. This year representatives from select agriculture industry have been asked to give a 15 minute presentation, covering three questions posed by the Board. [See sidebar.]

The answers to these questions will give the Board a better overall view of the state and future direction of Kentucky agriculture, as they decide on changes to Board policies and philosophies.

For more information on projects receiving funds at these meetings, visit agpolicy.ky.gov/news.shtml. 



INDUSTRY QUESTIONS FOR ADB PLANNING

Industry responses to the Board's questions below will be presented in November.

1. What benefits has your industry experienced as a direct result of funding from the KADF?
2. Identify one goal established by your industry that is to be reached within the next 5 years. How can the ADB help you achieve this goal?
3. Identify one marketing/ technological trend your industry has identified that will result in increased demand and producer profits. How can the ADB help you industry take advantage of this trend?

Agri-tourism Awards

(Continued from page 2)

HURSTLAND FARMS

Hurstland Farm Inc was approved for \$50,000 in state funds as a forgivable loan part of the Agri-tourism Competitive Awards program for converting a former tobacco barn into a 14-stall thoroughbred barn. The barn will house a museum, as well as a gift shop where Kentucky products will be sold.

JACKSON'S ORCHARD & NURSERY, INC.

Jackson's Orchard was approved for \$50,000 in state funds as a forgivable loan to modernize and expand kitchen facilities and construct a pavilion activity area at the existing facility.

JOHN F. DANCE ENTERPRISES, INC.

John F. Dance was approved for \$37,000 in state funds as a forgivable loan for infrastructure improvements and facility expansion at the existing facility in Midway.

KENTUCKY ROOTS, LLC

Kentucky Roots was approved for \$24,000 in state funds as a forgivable loan to assist in the restoration of an 1850's log cabin to provide a retail store for locally grown and farm made products, as well as native flowers, shrubs and seeds. The funds will also

be used to renovate a tobacco barn into a rural education center, build a greenhouse, and create a nature trail at the agri-tourism destination.

REED FARM SERVICE, INC.

Reed Farm Service was approved for \$15,370 in state funds as a forgivable loan to assist in the construction and equipping of a certified kitchen at the existing facility.

RIVER VALLEY AGRI-TOURISM ALLIANCE

The River Valley Agri-tourism Alliance was approved for \$1,000 in Robertson, \$2,000 in Bracken, \$2,000 in Lewis, \$2,000 in Mason, \$2,000 in Nicholas, and \$50,000 in state funds to promote Agri-tourism ventures in the region.

SWEET HOME SPUN

Sweet Home Spun was approved for \$50,000 in state funds as a forgivable loan to create a studio and retail store for the production and sale of high quality handspun, hand knitted items from local wool.

THREE MILLS FARM

Three Mills Farm was approved for \$1,000 in Woodford County and \$50,000 in state funds to assist in the construction and equipping of a certified kitchen, on-farm retail facility, and

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2005 AWARD RECAP

Agri-tourism

**\$854,693 in state
\$ 26,000 in county**

Applications to this program were scored on areas that included business viability, producer commitments, potential customer base, and management team.

County contributions were not required to receive state funds.

- Acres of Land
- Boyd Orchards
- Bramble Ridge Orchard
- Castle Hill Farm
- Chaney's Dairy Barn
- Chrisman Mills Vineyards
- Christian Way Farm
- Elements Enterprises
- Equus Run Vineyards
- Evans Orchard & Cider Mill
- Farmer Bill's
- Hurstland Farms
- Jackson's Orchard
- John F. Dance Enterprises
- Kentucky Roots
- "R" Farm Pumpkins & More
- Reed Farm Service, Inc.
- River Valley Agri-tourism Alliance
- Serenity Hill Farm
- Sweet Home Spun
- Terrapin Hill Farm
- Three Mills Farm

2005 Annual Report

The Fiscal Year 2005 Annual Report for the Agricultural Development Fund is now available on-line at agpolicy.ky.gov.

The report includes a summary of the investment priorities from *Kentucky Long-*

term Plan for Agriculture Development, a summary the Entrepreneurship Program, the membership of the Agricultural Development Board, a summary of funds spent during fiscal year 2005, and a listing of projects and programs approved between July 1, 2004 and June 30, 2005.



ADF Investment Spotlight

Siemer Milling presented \$1,000,000

During the Siemer Milling Recent Expansion & 10th Anniversary Celebration, Siemer Milling, LLC was presented a check for \$1,000,000 by the Kentucky Agricultural Development Board.

Siemer Milling Company (SMC) received the funds as a forgivable loan to construct a wheat mill in Hopkinsville that will provide a market for low quality, non-food grade wheat to

be used in the production of a glue extender.

The new mill will purchase non-food grade wheat at comparable prices to food grade wheat. This mill will use about 400,000 bushels of low grade wheat in the first year; wheat that would otherwise be rejected for quality reasons.

For more information about Siemer Milling Company, contact Rick Siemer at (800) 826-1065.



Rick Siemer receives \$1,000,000 check.



Siemer Milling wheat mill

PHOTOS: Angela Blank, GOAP

GOAP Staff Update

New Communications Officer Named

Angela Blank has been appointed as the new Communications Officer for the Governor's Office of Agricultural Policy (GOAP).

Angela, a Shelby County resident, attended the University of Kentucky's College of Agriculture for three years studying plant and soil science, and graduated December 2003 with a BA in Communications from the University of Louisville. She previously served as the Executive Assistant to Keith Rogers and as Secretary of the Kentucky Agricultural Development

Board.

Angela's appointment comes after the departure of Kara Keeton who had been with the office almost four years. Kara has taken a position with Alltech in Nicholasville in their Marketing Division.

Earlier this year Lucinda Pease, Records Manager/Project Analyst, left the GOAP team for a position at the Farm Credit Service in Lexington.

We appreciate the service to Kentucky agriculture that both provided and wish them well in their new endeavors.

New Staff Welcome

Welcome to new administrative assistant Jessica M. Woolums. Jessica is a 2003 graduate of Lexington Christian Academy and currently attends Campbellsville University at their Louisville Campus. Jessica is pursuing a B.S. in Organizational Management and will be work-

ing towards her MBA after receiving her degree.

Jessica's duties in our office include managing project records, handling check request, and assisting Area Project Analysts with processing model program requests. We are happy to have Jessica onboard.

Phase II Update

North Carolina Special Superior Court Judge Ben F. Tennille ordered the tobacco companies to make the fourth quarter 2004 Phase II tobacco payment.

Judge Tennille ruled on October 20 that the tobacco companies must make the 2004 fourth quarter payment within 10 business days. The order also stated that the companies are required to pay 8% interest from the December 15, 2004 until the payment is made.

"Judge Tennille's ruling affirms our position from the very beginning that the entire 2004 payment should have been made by the tobacco companies regardless of when the tobacco buyout was passed," Governor Fletcher remarked.

The issue at hand results from the withholding of 2004 Phase II payments by the tobacco companies. The companies argued that they were not obligated to pay the Phase II payments because they are funding the Federal Tobacco Buyout program signed by President Bush in October 2004.

In August, the North Carolina Supreme Court ruled that the Phase II Trust Agreement did not allow the companies to avoid their obligation to pay the tobacco farmers. However, the companies further argued that they were not obligated to fund the last quarter 2004 payment because the Supreme Court ruling would make them pay in the same year a payment for the Tobacco Buyout was made.

The order and supporting documents may be found at www.ncbusinesscourt.net. The case number is NO. 98 CvS 14377.

USDA Tobacco Transition Payment Update

Agriculture Secretary Mike Johanns announced earlier this month that tobacco quota holders and producers have received more than \$900 million under the Tobacco Transition Payment Program (TTPP), commonly referred to as "the Buyout," concluding the first of ten annual payments.

KENTUCKY

Producer Payments:	\$ 69,907,501.00
Quota Holder Payments:	\$171,838,639.00
Total Payments:	\$241,746,140.00

TTPP payments for 2005 have been completed and 2006 and subsequent year payments will be made every January 15. Quota holders and producers who wish to sell their remaining nine annual payments to a successor in return for a lump-sum

payment must do so by December 2, 2005.

Quota holders and producers who did not sign-up for the 2005 payment must enroll by December 2, 2005 to receive future year payments.

Beginning in early November, quota holders and producers may transfer contract rights: among family members; to persons who assigned permanent quota to their land prior to October 22, 2005; or due to the death of the original contract holder by visiting the county office where the original contract was approved.

For more information, visit www.usda.gov or contact your local Farm Service Agency office.

GOAP WEBSITE UPDATES

County Account Availability (10/27/2005) posted:

<http://agpolicy.ky.gov/funds/availability.shtml>

ADF Board Meeting

Details updated:

<http://agpolicy.ky.gov/board/meetings.shtml>

Calendar updated:

<http://agpolicy.ky.gov/calendar.shtml>

Educational Events & Festivals Calendar:

<http://agpolicy.ky.gov/kcade/education.shtml>

agpolicy.ky.gov

FUTURE MEETINGS

KY Ag. Finance Corporation

Friday, Nov. 4
Owensboro

Tobacco Settlement Oversight Committee

Tuesday, Nov. 8
1:00 p.m.
Frankfort

KADB Planning Meeting

November 17-18
General Butler SRP
Carrollton

**Meeting locations & times
subject to change**